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Mexico

Coffee Annual

Coffee Consumption Growing and Producer Inventories Building

Approved By:

Allan Mustard

Prepared By:

Gabriel Hernandez, Erik Hansen, and Adam Branson

Report Highlights:

The Post/New marketing year (MY)2011/12 (October to September) coffee production forecast is expected to reach 4.1 million 60-kilogram bags and the MY2010/11 estimate has been revised downward to 4 million 60-kilogram bags as adverse weather affected some of Mexico's most important coffee producing areas. MY2011/12 and MY2010/11 imports are expected to grow to meet domestic use and exports are forecast to remain stable as producers build ending stock inventories in search of attractive world prices.

Commodities:

Coffee, Green

Production:

The Post/New MY2011/12 coffee production forecast is expected to reach 4.1 million 60-kilogram bags, 2.5 percent higher than the last year's revised final production figure. This is a preliminary forecast as official sources indicate that climate change/weather events undoubtedly will affect planted and harvested areas as well as crop yields. Nevertheless, preliminary reports from different producing states indicate that weather conditions are allowing bearing trees a strong flowering phase. Producers, as well, are instituting appropriate agricultural and fertilizer practices. As such, the coffee sector is confident that these factors will offset any potential adverse weather conditions.

The Post/New MY2010/11 production estimate was revised downward from the previous estimate due to adverse weather conditions (low temperatures in some of the main producing areas and atypical rainstorms in the State of Chiapas) that hurt the flowering phase and influenced yields. The MY2009/10 production estimate was revised upward in accordance with the latest official information.

A number of factors have led to the relatively flat production levels witnessed in recent years. These factors include the absence of good agricultural practices, the age of coffee plantations, poor fertilizer application practices, and higher production costs. In recent years, the cost of production has increased due to shortages of field labor that represents about 90 percent of the total production cost. However, recently there has been an increase in production and quality, as some coffee plantations are applying better cultivation practices and adequate fertilization. As previously reported, Government of Mexico (GOM) producer support payments as well as technical and scientific support from international research organizations will continue and should facilitate production increases. The Chiapas coffee sector (the main production state) is in the fourth year of a six-year program to stimulate production through the renewal of coffee plantations, the recovery of planted areas, and the promotion of support schemes for the certification of organic plantations.

As previously reported, 35 percent of the area devoted to the best quality coffee production is located at an altitude of 900 meters above sea level and 43.5 percent of the best quality coffee production grows between 600 and 900 meters above sea level. Meanwhile, the coffee berry borer pest (*Hypothenemus hampei*) continues to infest plantations below 600 meters altitude and is now affecting coffee plants at higher altitudes. The Mexican Association of the Coffee Production Chain (AMECAFE) is operating the "Program Against the Coffee Borer," describing it as one of the most important tools to improve the quality of Mexican coffee. Additionally, this program is helping Mexico to gain recognition as a quality coffee producer and to gain foreign market share as an important exporter of green beans.

In general, Mexico is suited for coffee production due to its geographic location and climatic conditions. Recent reports indicate that about 98 percent of the coffee produced in Mexico is of the *Arabica* variety while 2 percent is of the *Robusta* variety. This production ratio is not likely to change.

Crop Area:

The Post/New MY2011/12 planted and harvested area forecasts are lower due to the effects of freezing temperatures and atypical rains that affected production areas. As stated in prior reports, the current coffee sector strategy aims to stimulate production through the replanting of coffee plantations, the recovery of affected areas, and the promotion of support schemes to encourage the certification of organic plantations while increasing domestic consumption. Over the next few years, assuming beneficial weather, planted and harvested areas are expected to increase at a moderate pace, driven by the development of new coffee nurseries, younger trees coming into production, and attractive international prices. The Post/New planted and harvested area estimates for MY2010/11 were revised downward from the Post/Old estimates to reflect the latest official data. The Post/New MY2009/10 planted and harvested area estimates remain unchanged.

Yields:

Yields continue to differ widely in Mexico due to variations in crop care and weather. The Post/New MY2011/12 nationwide yield forecast is expected to be similar to the MY2010/11 estimate. This assumes favorable weather conditions and expected improvements in cultivation practices. The yield estimate for MY2009/10 remains unchanged. As previously reported, the nationwide average yield in Mexico is roughly 5 quintals (approximately 230 kilograms) per hectare (1 quintal is approximately equal to 46 kilograms). Currently, yields in Chiapas are around 8 quintals (approximately 368 kilograms) per hectare, but producers are trying to recapture historical yields of nearly 12 quintals (approximately 552 kilograms) per hectare.

Consumption:

The Post/New MY2011/12 forecast of domestic coffee use (both roasted and soluble coffee) is slightly higher than the combined MY2010/11 estimated domestic use level. Per capita consumption of coffee in Mexico remains relatively low, but total consumption is growing as more Mexicans consume coffee. Soluble domestic consumption remains the largest share of domestic use, but consumption of ground coffee is on the upswing.

Official statistics indicate that 40 percent of domestic coffee production is marketed for local consumption and that the remaining 60 percent is for export. Official sources confirm that Mexico lacks a reliable consumption monitoring system, but domestic consumption is estimated between 1.8 million and 1.9 million 60-kg bags per year and forecast to increase.

Trade:

The Post/New MY2011/12 import forecast is at historically high levels. Mexico has been importing between 800,000 and 900,000 bags of mostly *Robusta* coffee beans (for soluble consumption). The import estimate for MY2010/11 was revised upward reflecting recent official data. This is attributed to increased demand by middle-income consumers who are reportedly searching for different options from domestic soluble brands as well as by high-income consumers who are in search of fashionable value-added imported coffee. The Post/New MY2009/10 import estimate was revised upward to reflect recent industry data.

The Post/New Mexico coffee export forecast for MY2011/12 is expected to be the same as the MY2010/11 export estimate, as producers, in spite of increased production, are reportedly keeping larger inventories in search of higher international prices. The United States continues to be the main international market for Mexican green coffee beans. The MY2010/11 export estimate was revised

downward due to a decrease in domestic production and a slight increase in domestic consumption. The Post/New MY2009/10 export estimate was revised upward to reflect recent industry data.

In recent years, the majority of Mexican produced coffee has been directed to the export market. The focus on exports has been fueled by the expectation of higher international prices and relatively flat domestic demand. However, the Mexican coffee industry is working to increase domestic consumption, and has established a 10-year goal of selling 70 percent of Mexico's coffee domestically while exporting only 30 percent.

Stocks:

The Post/New MY2011/12 ending stock forecast is dramatically higher compared to the MY2010/11 estimate due to producers' decisions to hold larger inventories in search of attractive international prices. Ending stock estimates for MY2010/11 were revised upward due to updated data. MY2009/10 figures were revised upward, as well, with the release of export data.

AMECAFE reports that Mexico has never had a reliable system to record ending stocks, and, as such, data are largely anecdotal. Current stock estimates reflect information obtained from industry sources, as no official government statistics are available.

Policy:

The Lower House passed the proposed "Sustainable and Integrated Coffee Development Law," but it has not been ratified by the Senate. Once approved, the GOM would be obliged to establish a long-term strategy for the production of high-quality coffee and to create the Mexican Coffee Council. The Council would be responsible for promoting and coordinating actions pertaining to the coffee sector.

On March 14, 2010, the Secretariat of Economy (SE) [announced](#) it would allow the duty-free import of roasted and ground coffee classified under Harmonized Tariff System codes (HTS) 0901.21.01, 0901.22.01 and 0901.90.99, packaged in 40-gram containers. These products may be imported duty-free from January 1, 2011, to December 31, 2011. The GOM established that the purpose of these *cupos* (*duty-free import permits*), using a direct allocation mechanism, is to encourage the domestic coffee industry to diversify its coffee products available in the market, allow this sector to access new market niches, and to promote the consumption of coffee in Mexican households. This announcement establishes the necessary requirements for the duty-free import of roasted and ground coffee in 40-gram containers. Undoubtedly, prices will play a key role in the volume to be imported.

Marketing:

In order to offset low per capita consumption levels and to counter the belief that there are negative health effects associated with consuming coffee, the Mexican coffee industry is promoting the health benefits of high-quality Mexican blends. Consumers with relatively greater purchasing power have been targeted by the specialty coffee sector for years. Soluble coffee consumption, however, is based on disposable income constraints.

Recently, a large U.S. headquartered retail store specializing in coffee sales reported that it opened its 300th store in Mexico. The rapid growth in coffee shops has attracted foreign and domestic investment, especially since the consumption of coffee in fast-food chains has developed into a new market, as well.

The largest share of off-trade volume sales of coffee continue to be accounted for by small independent grocers, although chained convenience stores are increasing their presence in terms of distribution. As a result of successful negotiations with powerful retailers, many small local brands are reaching supermarket and hypermarket shelves. Some of the companies behind this gradual change in distribution are specialty coffee shops.

Production, Supply and Demand Data Statistics:

Table 1. Mexico: Production, Supply and Distribution (PS&D) Statistics

Coffee, Green Mexico	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Oct 2009		Market Year Begin: Oct 2010		Market Year Begin: Oct 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	700	813	0	800		780
Area Harvested	600	766	0	729		730
Bearing Trees	710	710	0	700		700
Non-Bearing Trees	210	210	0	200		200
Total Tree Population	920	920	0	900		900
Beginning Stocks	90	56	130	386		936
Arabica Production	3,950	4,400	4,300	3,800		3,900
Robusta Production	200	200	200	200		200
Other Production	0	0	0	0		0
Total Production	4,150	4,600	4,500	4,000		4,100
Bean Imports	75	30	20	600		600
Roast & Ground Imports	20	50	20	100		100
Soluble Imports	125	150	150	100		150
Total Imports	220	230	190	800		850
Total Supply	4,460	4,886	4,820	5,186		5,886
Bean Exports	1,830	2,460	2,200	2,100		2,100
Rst-Grnd Exp.	0	20	0	50		50
Soluble Exports	700	120	700	200		200
Total Exports	2,530	2,600	2,900	2,350		2,350
Rst,Ground Dom. Consum	900	900	925	800		900
Soluble Dom. Cons.	900	1,000	935	1,100		1,100
Domestic Use	1,800	1,900	1,860	1,900		2,000
Ending Stocks	130	386	60	936		1,536
Total Distribution	4,460	4,886	4,820	5,186		5,986

Trade Matrices

(NOTE: PS&D trade forecasts and estimates are on a marketing year basis whereas the tables, below, are on a calendar year basis).

Table 2. Mexico: Green Coffee Imports in Metric Tons (Harmonized Tariff System: 090111 and 090112)		
Origin	CY 2009	CY 2010
U.S.	2	6,842
Colombia	116	278
Other not listed	261	1,615
Grand Total	379	8,735

Source: Global Trade Information System

Table 3. Mexico: Green Coffee Exports in Metric Tons (Harmonized Tariff System: 090111 and 090112)

Destination	CY 2009	CY 2010
U.S.	82,368	60,069
Belgium	10,572	6,830
Germany	11,286	6,122
Canada	4,638	3,957
Other not listed	19,882	25,623
Grand Total	128,746	102,601

Source: Global Trade Information System

Table 4. Mexico: Roasted Coffee Imports in Metric Tons on a Green Bean Equivalent Basis (Harmonized Tariff System: 090121 and 090122)

Origin	CY 2009	CY 2010
U.S.	903	1,190
Colombia	346	168
Other not listed	377	651
Grand Total	1,626	2,009

Source: Global Trade Information System

Table 5. Mexico: Roasted Coffee Exports in Metric Tons on a Green Bean Equivalent Basis (Harmonized Tariff System: 090121 and 090122)

Destination	CY 2009	CY 2010
U.S.	3,250	6,232
Spain	1	4
Other not listed	114	23
Grand Total	3,365	6,259

Source: Global Trade Information System

Table 6. Mexico: Soluble Coffee Imports in Metric Tons on a Green Bean Equivalent Basis (Harmonized Tariff System: 210111 and 210112)

Origin	CY 2009	CY 2010
U.S.	1,785	2,275
Colombia	1,415	1,370
Other not listed	8	198
Grand Total	3,208	3,843

Source: Global Trade Information System

Table 7. Mexico: Soluble Coffee Exports in Metric Tons on a Green Bean Equivalent Basis (Harmonized Tariff System: 210111 and 210112)

Destination	CY 2009	CY 2010
U.S.	29,474	31,535
Other not listed	6,281	7,312
Grand Total	35,755	38,847

Source: Global Trade Information System

Author Defined:**For More Information**

AMECAFE Web Site: <http://www.amecafe.org.mx/>

FAS/Mexico Web Site: We are available at www.mexico-usda.com or visit the FAS headquarters' home page at www.fas.usda.gov for a complete selection of FAS worldwide agricultural reporting.

FAS/Mexico YouTube Channel: Catch the latest videos of FAS Mexico at work

<http://www.youtube.com/user/ATOMexicoCity>

Other Relevant Reports Submitted by FAS/Mexico:

Report Number	Subject	Date Submitted
MX1027	Coffee in 40 Gram Containers Allowed Duty Free	3/28/2011
MX0322	Organic Foods Find Growing Niche in Mexico	2/11/2011
MX0033	Mexico Corners the Market on Organic Coffee Production	5/7/2010

Useful Mexican Web Sites: Mexico's equivalent of the U.S. Department of Agriculture (SAGARPA) can be found at www.sagarpa.gob.mx, the equivalent of the U.S. Department of Commerce (SE) can be found at www.economia.gob.mx, and the equivalent of the U.S. Food and Drug Administration (SALUD) can be found at www.salud.gob.mx. These web sites are mentioned for the reader's convenience but USDA does NOT in any way endorse, guarantee the accuracy of, or necessarily concur with, the information contained on the mentioned sites.